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IN THE

Supreme Court of the United States

OCTOBER TERM, 1973

No. 73-187

KEWANEE OIL COMPANY,
Petitioner,

v.

BICRON CORPORATION, *et al.*,
Respondents.

MOTION OF SCM CORPORATION FOR LEAVE TO FILE SUPPLEMENTAL BRIEF AMICUS CURIAE AND SUPPLEMENTAL BRIEF AMICUS CURIAE

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SCM Corporation respectfully moves the Court for leave to file the attached supplemental brief amicus curiae in response to the "Brief for the United States as Amicus Curiae", on the side of respondents.

SCM has previously filed a brief amicus in opposition to the petition in this case, with leave of Court, and a brief amicus on the merits with consent of both parties. SCM's interest in the case has been set forth in the motion and brief filed in connection with the petition and in the brief amicus on the merits.

Leave is requested to file this brief amicus to insure that the Court shall have before it a full exposition of the dispositive precedent and principles which the gov-

ernment inconsistently with its own prior views,[1] has chosen either to ignore or attempt ot distinguish. The attached supplemental brief amicus of SCM makes several important points in this regard which are not advanced in respondent's supplemental brief.

Respectfully submitted,

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[1] See the attached supplemental brief amicus, *infra* at p. 1.

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SUPPLEMENTAL BRIEF AMICUS CURIAE

The Government brief advances two separate views, both of which run counter to controlling law as explicated in authoritative decisions of this Court. Moreover, both "the view of the United States" as set forth in Argument Section III (G.B. 27-41) and the other "view within the government", set out in Argument Section II (G.B. 11-27) are irreconcilably at war with previous Government positions on the law espoused before this Court in its briefs amicus (a) in the companion cases of *Compco Corp.* v. *Day-Brite Lighting, Inc.*, 376 U.S. 234 (1964), and *Sears, Roebuck and Co.* v. *Stiffel Co.*, 376 U.S. 225 (1964), and (b) in *Lear, Inc.* v. *Adkins*, 395 U.S. 653 (1969).

The Government argues (G.B. 8) that the issue here posed is not controlled by the prior decisions of this Court.

The Sixth Circuit, however, reached the opposite conclusion after analyzing the apposite precedent (Pet. App. 8-24), and found itself compelled to conclude

> ". . . that a state trade secret law which protects an inventor in the maintenance of a monopoly of a device which is an appropriate subject for patent under the United States Patent Laws is in conflict with the policies and purposes of those patent laws where the invention has been used commercially for more than one year. By such use the inventor has forfeited his right to a patent but by the use of the state trade secret law he is able to exclude competition and prevent disclosure, thus obtaining protection which he could not obtain under the laws of the United States. . . ."

In so holding, the court below gave particular attention to *Sears, Roebuck, supra.* In *Sears*, this Court held that

> "Obviously a State could not, consistently with the Supremacy Clause of the Constitution . . . give a patent on an article which lacked the level of invention required for federal patents. To do . . . [so] would run counter to the policy of Congress of granting patents only to true inventions. . . . Just as a State cannot encroach upon the federal patent laws directly, it cannot, under some other law, such as that prohibiting unfair competition, give protection of a kind that clashes with the objectives of the federal patent laws." (376 U.S. at 231).

Reference in the quotation to "the level of invention required for federal patents" is mainfestly directd to the standard of invention now codified in 35 U.S.C. 103.[1]

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[1] The same standard of patentable invention has consistently been implemented by this Court since at least as early as *Hotchkiss* v. *Greenwood*, 52 U.S. 248 (1850). This Court has many times asserted that this standard is of constitutional origin, *inter alia*, in *Thompson* v. *Boisselier*, 114 U.S. 1, 11 (1885), *Hollister* v. *Benedict*

But, as the Sixth Circuit correctly appreciated, the holding is equally applicable to preclude state protection of subject matter dedicated to the public by operation of 35 U.S.C. 102(b) through commercial use for more than one year.

The correctness of the decision below is underscored by this Court's later decision in *Goldstein* v. *California*,

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Mfg. Co., 113 U.S. 59, 73 (1885), *Hill* v. *Wooster*, 132 U.S. 693, 700 (1890), *Cuno Engineering Corp.* v. *Automatic Equipment Corp.*, 294 U.S. 84, 91 (1941), *Great Atlantic and Pacific Tea Co.* v. *Supermarket Equipment Corp.*, 340 U.S. 147, 156 (1951), *Graham* v. *John Deere Co.*, 383 U.S. 1 (1966), and *Anderson's Black Rock* v. *Pavement Salvage Co.*, 396 U.S. 57 (1969).

Strict enforcement of this standard of patentability is necessary to realization of the *primary public* purpose of the patent system repeatedly stressed in this Court's decisions beginning with *Pennock* v. *Dialogue*, 27 U.S. 1 (1829) and extending through *Deepsouth Packing Co.* v. *Laitrum Corp.*, 406 U.S. 518 (1972). As emphasized in *Shaw* v. *Cooper*, 32 U.S. 290, 318 (1833), ". . . it was not the intention of this [patent] law to take from the public that of which they were fairly in possession." Expressing essentially the same thought but with particular reference to the requisite level of invention, this Court in *Atlantic Works* v. *Brady*, 107 U.S. 192, 199-200 (1883) again stressed that

> ". . . To grant to a single party a monopoly of every slight advance made, except where the exercise of invention, somewhat above ordinary mechanical or engineering skill, is distinctly shown, is unjust in principle and injurious in its consequences. . . . Such an indiscriminate creation of exclusive privileges tends rather to obstruct than to stimulate invention."

In total harmony, *Graham*, *supra*, found "no change in the general strictures with which the overall test [of patentability] is to be applied. . .", 383 U.S. 1, 19.

The present Government argument that federal concern for free access to "obvious technology" on which patents are precluded by 35 U.S.C. 103 "is relatively peripheral" (G.B. 26) is in the teeth of *Sears* and would effectively nullify the Congressional judgment that such technology must be free to the public. For this reason, the doctrine of *Ferguson* v. *Skrupa*, 372 U.S. 726 (1963) (G.B. 25)—that the Court will not pass on the wisdom of state legislation where federal policy is not significantly invaded—is inapposite.

412 U.S. 546 (1973) which squarely reaffirms Sears as a part of its comprehensive explication of the application of the preemption doctrine to patents and copyrights. In harmony with all of its earlier pertinent pronouncements, this Court in *Goldstein* held that a positive expression by Congress in patent or copyright legislation as to either availability or unavailability of federal monopoly protection is absolutely preemtive and precludes inconsistent state law action, but Congressional silence may leave the field open for state law activity.

As this Court said in *Goldstein*:

> "At any time Congress determines that a particular category of 'writing' is worthy of national protection and the incidental expenses of federal administration, federal copyright protection may be authorized. Where the need for free and unrestricted distribution of a writing is thought to be required by the national interest, the Copyright Clause and the Commerce Clause would allow Congress to eschew all protection. In such cases, a conflict would develop if a State attempted to protect that which Congress intended to be free from restraint or to free that which Congress had protected. However, where Congress determines that neither federal protection nor freedom from restraint is required by the national interest, it is at liberty to stay its hand entirely. Since state protection would not then conflict with federal action, total relinquishment of the States' power to grant copyright protection cannot be inferred."

As applied to existing patent statutes, the holding is clearly that preemptive federal law precludes state protection, both of those categories of "discoveries" that Congress in 35 U.S.C. 101 has deemed to be worthy of national protection and those for which Congress eschewed all protection in 35 U.S.C. 102 and 103.

In this case we have the very conflict which this Court in *Goldstein* expected to "develop if a state attempted to protect that which Congress intended to be free from restraint"—*to wit*, a conflict between Ohio trade secret law and federal patent law resulting from the Ohio attempt to protect by perpetual injunction subject matter which Congress in 35 U.S.C. 102(b) pronounced free from restraint.

The approach counselled by Argument Section II of the government brief whereby only that portion of trade secret law which purports to protect *patentable* information would be preempted not only fails to take account of express Congressional direction concerning what may *not* be patented, but is cumbersome and unworkable for the same reasons which led this Court in *Lear*, *supra*, 395 U.S. at 668, ultimately to cease attempting to compromise state law contract estoppel principles with federal patent law. Similar considerations underlie the *per se* rules concerning unreasonableness of certain restraints of trade under the antitrust laws which this Court has adopted in order to avoid the necessity for "incredibly complicated and prolonged economic investigation into the entire history of the industry involved, as well as related industries" which this Court has noted to be "so often wholly fruitless when undertaken", *Northern Pacific R. Co.* v. *United States*, 356 U.S. 1, 5 (1958).

The government argument (G.B. 32-3) that because disclosure is not *compulsory* under Federal law there is room for state law protection of subject matter which inventors choose *not* to disclose, lacks statutory, precedent and logical basis. The Federal law seeks to encourage disclosure of *patentable* inventions for the primary benefit of the public but does not regard disclosure as an end in itself. *Per contra*, disclosure of patentable inventions is the *means* chosen by Congress for achieving the constitutionally required public benefit. Hence those who

use *this* means to confer public benefit are deserving of reward. The policy necessarily acts equally to preclude reward, state or federal, both to those who elect *not* to use the authorized means of conferring public benefit and those who disclose subject matter from which the public can derive no benefits because of its own prior entitlement under 35 USC 102 or 103.

CONCLUSION

The government brief should be disregarded and the decision below affirmed.

Respectfully submitted,

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KEWANEE OIL CO. *v.* BICRON CORP. ET AL.

CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SIXTH CIRCUIT

No. 73–187. Argued January 9, 1974—Decided May 13, 1974

Harshaw Chemical Co., an unincorporated division of petitioner, over a period of years developed certain processes in the growth and encapsulation of synthetic crystals and purification of raw materials, some of which processes were considered to be trade secrets; it eventually succeeded for the first time in growing a 17-inch crystal of a type useful in the detection of ionizing radiation. The individual respondents, former employees of Harshaw who while working there had signed agreements not to disclose trade secrets obtained as employees, formed or later joined respondent Bicron Corp., which competed with Harshaw in producing crystals; Bicron, soon after its formation, also grew a 17-inch crystal. Petitioner brought this diversity action seeking injunctive relief and damages for misappropriation of trade secrets. The District Court, applying Ohio trade secret law, granted a permanent injunction. The Court of Appeals reversed on the ground that Ohio's trade secret law conflicted with the federal patent laws. *Held:* Ohio's trade secret law is not pre-empted by the federal patent laws. Pp. 474–493.

(a) The States are not forbidden to protect the kinds of intellectual property that may make up the subject matter of trade secrets; just as the States may exercise regulatory power over writings, *Goldstein* v. *California*, 412 U. S. 546, so may they regulate with respect to discoveries, the only limitation being that regulation in the area of patents and copyrights must not conflict with the operation of federal laws in this area. Pp. 478–479.

(b) Abolition of trade secret protection would not result in increased disclosure to the public of discoveries in the area of nonpatentable subject matter, and the public would not be benefited by disclosure of such discoveries. Pp. 482–483.

(c) The federal patent policy of encouraging invention is not disturbed by the existence of another form of incentive to invention such as trade secret protection, and in this respect the two systems are not in conflict. P. 484.

(d) Nor is the patent policy that matter once in the public domain must remain there incompatible with the existence of trade secret protection. P. 484.

(e) Nor is there any conflict between trade secret law and the patent policy of disclosure whether a trade secret concerning patentable subject matter is in the category of discovery which is (1) clearly unpatentable, (2) doubtfully patentable, or (3) clearly patentable. As to the first category, the patent alternative is not available and trade secret law will encourage invention and prompt the inventor to proceed with the discovery and exploitation of his invention, and to license others to exploit secret processes. As to the second category, the risk and cost of eventual patent invalidity may impel the inventor not to seek patent protection regardless of the existence of trade secret law, and the encouragement by the elimination of trade secret protection of patent applications by some with doubtfully patentable inventions is likely to have a deleterious effect on society and patent policy. As to the third category, trade secret law, which affords weaker protection than the patent laws, presents no reasonable risk of deterence from patent application. Pp. 484–491.

(f) There being no real possibility that trade secret law will conflict with federal patent policy, partial pre-emption as to clearly patentable inventions would not be appropriate and could well unnecessarily burden administration of trade secret law by States. Pp. 491–492.

478 F. 2d 1074, reversed and remanded for reinstatement of District Court Judgment.

BURGER, C. J., delivered the opinion of the Court, in which STEWART, WHITE, BLACKMUN, and REHNQUIST, JJ., joined. MARSHALL, J., filed an opinion concurring in the result, *post*, p. 493. DOUGLAS, J., filed a dissenting opinion, in which BRENNAN, J., joined, *post*, p. 495. POWELL, J., took no part in the decision of the case.

Erwin N. Griswold argued the cause for petitioner. With him on the brief were *Robert J. Hoerner, Barry L. Springel, Edward P. Troxell, Robert P. Mooney,* and *James A. Lucas.*

William C. McCoy, Jr., argued the cause and filed a brief for respondents.*

*Briefs of *amici curiae* urging reversal were filed by *Solicitor General Bork* and *Edmund W. Kitch* for the United States; by *Donald W. Banner, Thomas F. McWilliams, John C. Dorfman,* and

MR. CHIEF JUSTICE BURGER delivered the opinion of the Court.

We granted certiorari to resolve a question on which there is a conflict in the courts of appeals: whether state trade secret protection is pre-empted by operation of the federal patent law.[1] In the instant case the Court of Appeals for the Sixth Circuit held that there was pre-emption.[2] The Courts of Appeals for the Second, Fourth, Fifth, and Ninth Circuits have reached the opposite conclusion.[3]

Chesterfield Smith for the American Bar Assn.; by *Austin F. Canfield, Jr.*, *Maurice H. Klitzman*, *Francis C. Browne*, *Donald R. Dunner*, and *John T. Roberts* for the Bar Association of the District of Columbia; by *Walter A. Porter* and *Bruce Tittel* for the Ohio State Bar Assn.; by *Milton A. Smith*, *Marcus B. Finnegan*, *Douglas B. Henderson*, and *Kenneth E. Payne* for the Chamber of Commerce of the United States; by *John T. Kelton* and *George E. Frost* for the American Patent Law Assn.; by *Charles W. Bradley*, *Thomas P. Dowling*, *Edward Halle*, and *Willard R. Sprowls* for the New York Patent Law Assn.; by *Karl W. Flocks* and *Paul L. Gomory* for the Association for the Advancement of Invention & Innovation; by *Tom Arnold* and *Bill Durkee* for the Licensing Executives Society; by *Jeremiah D. Lambert* and *Robert J. DeGiacomo* for the Electronic Industries Assn.; by *Marx Leva*, *Lloyd Symington*, and *John S. Hoff* for the Manufacturing Chemists Assn.; by *Herman Foster* and *Edward M. Farrell* for the Budd Co.; by *James M. Clabault*, *Edward G. Fiorito*, and *Edward F. Langs* for Burroughs Corp.; by *Harold C. Hohbach* and *David J. Brezner* for Optical Coating Laboratory, Inc.; by *Irving M. Tullar* and *Grover M. Myers* for R. J. Reynolds Industries, Inc.; by *Patrick J. Schlesinger* for Rohr Industries, Inc.; and by *Van C. Wilks* for Southwire Co.

Briefs of *amici curiae* urging affirmance were filed by *Eric P. Schellin* for National Patent Council, Inc., et al., and by *Mary Helen Sears* and *Edward S. Irons* for SCM Corp.

[1] 414 U. S. 818 (1973).

[2] 478 F. 2d 1074 (1973).

[3] *Painton & Co.* v. *Bourns, Inc.*, 442 F. 2d 216 (CA2 1971); *Servo Corp. of America* v. *General Electric Co.*, 337 F. 2d 716 (CA4 1964), cert. denied, 383 U. S. 934 (1966); *Water Services, Inc.* v. *Tesco*

I

Harshaw Chemical Co., an unincorporated division of petitioner, is a leading manufacturer of a type of synthetic crystal which is useful in the detection of ionizing radiation. In 1949 Harshaw commenced research into the growth of this type crystal and was able to produce one less than two inches in diameter. By 1966, as the result of expenditures in excess of $1 million, Harshaw was able to grow a 17-inch crystal, something no one else had done previously. Harshaw had developed many processes, procedures, and manufacturing techniques in the purification of raw materials and the growth and encapsulation of the crystals which enabled it to accomplish this feat. Some of these processes Harshaw considers to be trade secrets.

The individual respondents are former employees of Harshaw who formed or later joined respondent Bicron. While at Harshaw the individual respondents executed, as a condition of employment, at least one agreement each, requiring them not to disclose confidential information or trade secrets obtained as employees of Harshaw. Bicron was formed in August 1969 to compete with Harshaw in the production of the crystals, and by April 1970, had grown a 17-inch crystal.

Petitioner brought this diversity action in United States District Court for the Northern District of Ohio seeking injunctive relief and damages for the misappropriation of trade secrets. The District Court, applying Ohio trade secret law, granted a permanent injunction against the disclosure or use by respondents of 20 of the 40 claimed trade secrets until such time as the trade secrets had

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Chemicals, Inc., 410 F. 2d 163 (CA5 1969); *Winston Research Corp.* v. *Minnesota Mining & Mfg. Co.*, 350 F. 2d 134 (CA9 1965); *Dekar Industries, Inc.* v. *Bissett-Berman Corp.*, 434 F. 2d 1304 (CA9 1970), cert. denied, 402 U. S. 945 (1971).

been released to the public, had otherwise generally become available to the public, or had been obtained by respondents from sources having the legal right to convey the information.

The Court of Appeals for the Sixth Circuit held that the findings of fact by the District Court were not clearly erroneous, and that it was evident from the record that the individual respondents appropriated to the benefit of Bicron secret information on processes obtained while they were employees at Harshaw. Further, the Court of Appeals held that the District Court properly applied Ohio law relating to trade secrets. Nevertheless, the Court of Appeals reversed the District Court, finding Ohio's trade secret law to be in conflict with the patent laws of the United States. The Court of Appeals reasoned that Ohio could not grant monopoly protection to processes and manufacturing techniques that were appropriate subjects for consideration under 35 U. S. C. § 101 for a federal patent but which had been in commercial use for over one year and so were no longer eligible for patent protection under 35 U. S. C. § 102 (b).

We hold that Ohio's law of trade secrets is not preempted by the patent laws of the United States, and, accordingly, we reverse.

II

Ohio has adopted the widely relied-upon definition of a trade secret found at Restatement of Torts § 757, comment *b* (1939). *B. F. Goodrich Co.* v. *Wohlgemuth*, 117 Ohio App. 493, 498, 192 N. E. 2d 99, 104 (1963); *W. R. Grace & Co.* v. *Hargadine*, 392 F. 2d 9, 14 (CA6 1968). According to the Restatement,

> "[a] trade secret may consist of any formula, pattern, device or compilation of information which is used in one's business, and which gives him an opportunity to obtain an advantage over competitors who do not

> know or use it. It may be a formula for a chemical compound, a process of manufacturing, treating or preserving materials, a pattern for a machine or other device, or a list of customers." *Id.*, at 5.

The subject of a trade secret must be secret, and must not be of public knowledge or of a general knowledge in the trade or business. *B. F. Goodrich Co.* v. *Wohlgemuth, supra,* at 499, 192 N. E. 2d, at 104. *National Tube Co.* v. *Eastern Tube Co.,* 3 Ohio C. C. R. (n. s.) 459, 462 (1902), aff'd, 69 Ohio St. 560, 70 N. E. 1127 (1903). This necessary element of secrecy is not lost, however, if the holder of the trade secret reveals the trade secret to another "in confidence, and under an implied obligation not to use or disclose it." *Cincinnati Bell Foundry Co.* v. *Dodds,* 10 Ohio Dec. Reprint 154, 156, 19 Weekly L. Bull. 84 (Super. Ct. 1887). These others may include those of the holder's "employees to whom it is necessary to confide it, in order to apply it to the uses for which it is intended." *National Tube Co.* v. *Eastern Tube Co., supra,* at 462. Often the recipient of confidential knowledge of the subject of a trade secret is a licensee of its holder. See *Lear, Inc.* v. *Adkins,* 395 U. S. 653 (1969).

The protection accorded the trade secret holder is against the disclosure or unauthorized use of the trade secret by those to whom the secret has been confided under the express or implied restriction of nondisclosure or nonuse.[4] The law also protects the holder of a trade

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[4] Ohio Rev. Code Ann. § 1333.51 (C) (Supp. 1973) provides:

"No person, having obtained possession of an article representing a trade secret or access thereto with the owner's consent, shall convert such article to his own use or that of another person, or thereafter without the owner's consent make or cause to be made a copy of such article, or exhibit such article to another."

Ohio Rev. Code Ann. § 1333.99 (E) (Supp. 1973) provides:

"Whoever violates section 1333.51 of the Revised Code shall be